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Japan's Economic Outlook No. 193 Update (Summary)

Where do Regional Economies Stand within Overall Economic Recovery? Correction of Long Work Hours and Influence of Premium Friday

Japan to see real GDP growth of +1.5% in FY17 and +1.1% in FY18, with nominal GDP growth of +1.8% in FY17, and +1.6% in FY18.

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Summary

- **Japan's economy moves toward balanced growth:** In light of the 2nd preliminary Jan-Mar 2017 GDP release (Cabinet Office) we have revised our economic growth outlook. We now forecast real GDP growth of +1.5% in comparison with the previous year for FY17 (+1.5% in the previous forecast), +1.1% in comparison with the previous year for FY18 (+1.1% in the previous forecast). Japan's economy is expected to continue balanced growth in the future due to the following factors: (1) favorable overseas demand, and (2) inventory investment providing support for accelerated growth throughout FY2017, leading to genuine improvement in the employment environment and growth driven by investments in improving productivity in FY2018.
- **Real GDP growth rate revised downwards from 1st preliminary, falls below market consensus:** The real GDP growth rate for Jan-Mar 2017 (2nd preliminary est) was revised downwards to +1.0% q/q annualized (+0.3% q/q) in comparison to the 1st preliminary report (+2.2% q/q annualized and +0.5% q/q), while at the same time falling below market consensus (+2.5% q/q annualized and +0.6% q/q). The downward revision was due mainly to progress in inventory adjustment associated with economic recovery, causing fluctuations in private sector inventory to be revised downward considerably. Hence, an overly pessimistic reaction is unnecessary. In terms of the inventory cycle, this most likely means that the inventory adjustment phase is about complete, and that we are about to move into an accumulation

phase. Overall, these results confirm our main scenario, which sees Japan's economy moving toward a moderate recovery. We again point out that Japan's economy has shifted notably into balanced growth driven equally by domestic and overseas demand.

- **Downward revision of private sector inventory brings downward pressure on overall results:** Major revisions in comparison to the 1st preliminary report in terms of performance by demand component are as follows: capex was revised upwards, while private sector final consumption expenditure and private sector inventory were revised downwards. The downward revision in private sector inventory was especially large, and brought downward pressure on overall results.

Private final consumption expenditure was down just a bit mainly due to March fundamental statistics to +0.3% q/q (+0.4% on the 1st preliminary). This was due to the fact that durable goods, semi-durables, and services were all revised downwards by a small amount.

Private-sector capital investment was revised upwards in response to the results of corporate statistics to +0.6% q/q (+0.2% on the 1st preliminary). Looking at the trend in gross fixed capital formation by type, we see that transport equipment grew considerably, but looks to be moving toward taking a breather from the growth phase it has been in up to now. Other machinery and equipment continues to record moderate growth, but intellectual property has been up and down, ultimately recording a decline for the Jan-Mar period.

Inventory investment was revised downwards to -0.1% q/q (+0.1% on the 1st preliminary). Looking at contribution to GDP by category we see that while there were upward revisions for work in progress inventory and finished goods inventory, distribution inventory was marking time. The extent to which raw materials inventory was revised downwards was especially large, and this contributed to overall results moving further downwards.

Public investment was marking time reflecting the latest fundamental statistics to -0.1% q/q (-0.1% on the 1st preliminary). There were no revisions to performance of imports and exports. While there were downward revisions for housing investment and government consumption, there was not much influence on the overall GDP figure.

- **Domestic demand becomes driving force, centering on consumption and housing investment:** Performance by demand component in the Jan-Mar 2017 2nd preliminary results shows private sector final consumption expenditure achieving growth for the fifth consecutive quarter at +0.3% q/q (+0.4% on the 1st preliminary). The employment environment continued to improve due to the labor shortage, and price hikes for energy and fresh foods, which had been a drag on consumption, seem to have completed their rounds. This has contributed to improvement in consumer confidence, and is contributing to a comeback for personal consumption.

Housing investment achieved growth for the fifth consecutive quarter at +0.3% q/q (+0.7% on the 1st preliminary). Housing investment has maintained its growth trend throughout FY2016 as a result of lower interest rates on housing loans, growth in rental property construction as an inheritance tax strategy, and last-minute demand which developed on the assumption that the consumption tax would again be increased in April of 2017.

Capital expenditure on the part of private sector corporations is maintaining a moderate growth trend at +0.6% q/q (+0.2% on the 1st preliminary). Corporate earnings remain at a high level, and this has pushed up capital expenditure as a means of dealing with the labor shortage.

Private sector inventory declined for the third consecutive quarter at -0.1%pt q/q (+0.1%pt on the 1st preliminary), making a negative contribution to GDP. Overall, inventory adjustment is progressing, but raw materials inventory made a major negative contribution. As for the recent decline in inventory, this has been due to progress in inventory adjustment associated with growth in shipments, and is not cause for excessive worry.

Public investment declined for the third consecutive quarter at -0.1% q/q (-0.1% on the 1st preliminary). The government's FY2016 second supplementary budget appears to be behind schedule in implementation. Government consumption continues to mark time at -0.0% (+0.1% on the 1st preliminary).

Exports grew for the third consecutive quarter at +2.1% q/q (+2.1% on the 1st preliminary). Considering trade statistics for the Jan-Mar period, exports to the US appear to be about to peak out, but exports to the EU and Asia continue to be favorable. Exports to the EU centered on passenger vehicles, while exports to Asia focusing especially on smartphone related business in China saw IC exports especially favorable. Imports grew for the second consecutive quarter at +1.4% (+1.4% on the 1st preliminary). As a result, contribution of overseas demand to GDP growth increased for the third consecutive quarter at +0.1%pt.

- **Moderate recovery expected with balanced domestic & overseas demand. Overseas factors present sole risk:** We expect Japan's economy to continue in a moderate expansion phase. Domestic demand, focusing on personal consumption, is expected to maintain favorable performance despite ups and downs, while overseas demand is expected to expand due to recovery in the world economy, providing major support for Japan's economic growth. However, downside risk remains for overseas demand requiring caution due to US trade policy and rising geopolitical risk. Meanwhile, we also urge caution regarding rising interest rates accompanying the slowdown of the US economy, and the problem of capital outflows from the emerging nations.

Personal consumption is expected to continue in a moderate expansion phase. The supply of labor remains tight, and this should provide underlying support for personal consumption through growth in employee compensation. However, the one worrisome point is that the CPI has been on the rise due to growth in the price of crude oil at the end of FY2016. If real wages stagnate due to the influence of prices, personal consumption could also be suppressed. Meanwhile, the government is encouraging corporations to increase base salary rates during the annual spring labor offensive in 2017. However, many corporations, which are becoming worried about future business performance, are taking the stance that they will raise annual salaries but not monthly wages. Housing investment is expected to gradually slow down. Interest on housing loans remains low, and therefore should provide continued underlying support. However, housing starts, which had expanded with the expectation that there would be a rush to purchase homes before the additional increase in consumption tax originally planned for April 2017, are expected to decrease in the future, especially for condominiums in urban areas, and housing investment is also expected to begin declining after that point.

Capex is expected to see moderate growth. Operating rates in the manufacturing sector have been on the rise since the latter part of last year due to the expansion of exports thanks to the recovery in the world economy. However, if uncertainty grows regarding the future of the world economy, corporations are likely to lose their willingness to invest in capex, hence caution is required. On the other hand, research & development which is in growth phase, is expected to continue pushing up overall capex figures in the future. Meanwhile, investment in labor-saving and rationalization due to the continuing labor shortage is expected to continue its growth trend centering on the non-manufacturing industries. As for public investment, we expect a gradual comeback to accompany implementation of the government's second and third supplementary budgets.

As for exports, with overseas economies continuing moderate growth, we can expect exports to maintain a firm undertone. US exports appear to be about to peak out, while exports to the EU and Asia are maintaining a firm undertone. Exports of construction equipment and electronic parts to China are expected to maintain favorable orders. Exports to China are expected to be the driving force of exports overall.

However, caution is required regarding overseas demand due to possible downside risk. As for the US, the Fed implemented an interest rate increase in March 2017, and may raise rates multiple times during the rest of the year. Meanwhile, growth in personal consumption in the US began to soften during the Jan-Mar period, and with doubts now being raised regarding the Trump administration's policies, downside risk for the US economy has now appeared causing another worrisome point. If President Trump pushes through protectionist trade policies, the world economy could stagnate. This is a mid to long-term risk factor. Other issues include geopolitical risk such as rising tensions in North Korea. All of these risks require caution. Our main scenario sees the world economy continuing its moderate growth. However, if uncertainty grows regarding the future of the world economy, Japan's exports are likely to decline, bringing the risk of causing downward pressure on Japan's economy.

- **Issue (1): Characteristics of regional economies now emerging from the industrial structure:** In this section we examine the effects of change in Japan's overall demand components on local economies using the input-output table and value added figures by industry in prefectural economic calculations. While production inducement in the Tokai region with its accumulation of manufacturing industries is major due to the expansion of exports, the southern Kanto region with its accumulation of service industries such as financial services also exhibits major production inducement, but in this case based on growth in domestic consumption. In this section we categorize each of Japan's prefectures into one of three growth models: (1) export driven, (2) domestic demand driven, and (3) local prefectural economy based, by comparing the production inducement effects of exports and consumption. Growth in overseas demand since the introduction of Abenomics has especially benefitted prefectures whose economies are based on export driven growth, but now that we can expect more balanced growth in the future based equally on overseas and domestic demand, all of Japan's prefectures are expected to reap the benefits of economic expansion.
- **Issue (2): Correction of long work hours – is Premium Friday helping to improve consumption?:** In this section we examine the quantitative effects of cutting back on work hours on consumption provided by changes in availability of free time. When total work hours are cut back the majority of people experience an increase in free time, but since the amount of time spent on entertainment and eating out is reduced, there has not been any recognizable effect on consumption overall. However, when we look at individual categories, we see that while foodstuffs, clothing and entertainment declined, utilities, culture & recreation, beauty & cosmetics, and accessories showed positive influence. In order to create a virtuous circle in which consumption overall attains growth, labor productivity must be improved through the implementation of wage increases. Approximately half of free time gained was spent watching television. However, time spent using the internet is on the rise for the working generation, and this brings expectations of growth in consumption of travel related items, foodstuffs, and household electronics products which have recorded large amounts in internet shopping purchases.
- **Issue (3): Examining the Pitfalls of the Global Economy:** As the economy recovers, both the US and the EU are moving toward changes in policy which now will be oriented toward the exit strategy from former monetary policy. China has also begun to adjust its monetary policy, gradually moving from neutral to monetary easing. However, as central banks in the US and EU move forward in their exit strategies, this will create yet another risk scenario, in which there is a possibility that the world economy could become susceptible to downward pressure,

falling from the baseline scenario by -0.04% in 2017, -0.16% in 2018, and -0.31% in 2019. We suggest keeping a close watch on trends in the US bond market as a means of early detection of irregularities in the global financial markets. Additionally, a look at trends in government and corporate debt reveals a rapid surge in corporate debt in China. We recommend precaution as this is a major risk factor for the world economy.

- **Risk factors facing Japan's economy:** Risk factors for the Japanese economy are: (1) The policies of President Donald Trump, (2) The downward swing of China's economy, (3) Tumult in the economies of emerging nations in response to the US exit strategy, (4) Risk-off behavior of investors due to geopolitical risk and country risk, and (5) Negotiations regarding the UK's withdrawal from the EU (Brexit), and deleveraging at EU financial institutions.
- **BOJ's monetary policy:** We expect the BOJ to maintain current monetary policy for the time being. Considering the policy introduced in September 2016 to permanently battle deflation, the issue is expected to be creating a more flexible inflation target.

Our assumptions

- Public works spending is expected to increase by +3.8% in FY17, and then decrease in FY18 at -1.1%.
- Average exchange rate of Y110.5/\$ in FY17, and Y110.5/\$ in FY18.
- US real GDP growth of +2.2% in CY17, and +2.3% in CY18.

Main Economic Indicators and Real GDP Components

	FY16	FY17 (Estimate)	FY18 (Estimate)	CY16	CY17 (Estimate)	CY18 (Estimate)
Main economic indicators						
Nominal GDP (y/y %)	1.1	1.8	1.6	1.3	1.3	0.6
Real GDP (chained [2011]; y/y %)	1.2	1.5	1.1	1.0	1.5	1.3
Domestic demand (contribution, % pt)	0.5	1.0	1.1	0.4	0.8	1.2
Foreign demand (contribution, % pt)	0.8	0.5	-0.0	0.6	0.6	0.1
GDP deflator (y/y %)	-0.2	0.3	0.5	0.3	-0.2	-0.6
Index of All-industry Activity (y/y %)*	0.6	1.5	1.5	0.6	1.3	1.6
Index of Industrial Production (y/y %)	1.1	3.8	2.4	-0.2	3.9	2.7
Index of Tertiary Industry Activity (y/y %)	0.4	1.0	1.3	0.7	0.7	1.4
Corporate Goods Price Index (y/y %)	-2.4	2.6	2.0	-3.5	2.3	2.1
Consumer Price Index (excl. fresh food; y/y %)	-0.2	0.8	0.9	-0.3	0.7	0.9
Unemployment rate (%)	3.0	2.8	2.7	3.1	2.9	2.8
Government bond yield (10 year; %)	-0.05	0.00	0.00	-0.07	0.02	0.00
Money stock; M2 (end-period; y/y %)	3.7	4.1	4.1	3.5	4.1	4.1
Balance of payments						
Trade balance (Y tril)	5.8	6.8	7.2	5.5	6.3	7.2
Current balance (\$100 mil)	1,864	1,927	2,069	1,869	1,832	2,044
Current balance (Y tril)	20.2	21.5	23.1	20.3	20.4	22.6
(% of nominal GDP)	3.7	3.9	4.2	3.7	3.7	4.1
Real GDP components (Chained [2011]; y/y %; figures in parentheses: contribution, % pt)						
Private final consumption	0.6 (0.3)	0.8 (0.4)	0.9 (0.5)	0.4 (0.2)	0.8 (0.4)	0.9 (0.5)
Private housing investment	6.3 (0.2)	0.6 (0.0)	2.3 (0.1)	5.6 (0.2)	2.2 (0.1)	1.2 (0.0)
Private fixed investment	2.5 (0.4)	2.3 (0.4)	2.1 (0.3)	1.3 (0.2)	2.9 (0.4)	1.9 (0.3)
Government final consumption	0.4 (0.1)	0.5 (0.1)	0.8 (0.2)	1.3 (0.3)	0.1 (0.0)	0.8 (0.2)
Public fixed investment	-3.2 (-0.2)	3.0 (0.1)	-1.3 (-0.1)	-3.0 (-0.2)	0.5 (0.0)	0.7 (0.0)
Exports of goods and services	3.1 (0.5)	5.3 (0.9)	2.1 (0.3)	1.2 (0.2)	6.2 (1.0)	2.1 (0.4)
Imports of goods and services	-1.4 (0.2)	2.4 (-0.4)	2.1 (-0.4)	-2.3 (0.4)	2.4 (-0.4)	1.8 (-0.3)
Major assumptions:						
1. World economy						
Economic growth of major trading partners	3.6	3.6	3.5	3.4	3.6	3.5
Crude oil price (WTI futures; \$/bbl)	47.9	47.5	47.5	43.5	48.6	47.5
2. US economy						
US real GDP (chained [2009]; y/y %)	1.7	2.3	2.3	1.6	2.2	2.3
US Consumer Price Index (y/y %)	1.6	2.1	2.4	1.3	2.3	2.2
3. Japanese economy						
Nominal public fixed investment (y/y %)	-3.5	3.8	-1.1	-3.8	1.6	1.3
Exchange rate (Y/\$)	108.4	110.5	110.5	108.8	111.3	110.5
(Y/€)	118.7	124.5	124.5	120.6	123.3	124.5

Source: Compiled by DIR.

Note: Due to rounding, actual figures may differ from those released by the government.

* Excl. agriculture, forestry, and fisheries.

Estimate: DIR estimate.

Comparison with Previous Outlook

	Current outlook (Outlook 193 Update)		Previous outlook (Outlook 193)		Difference between previous and current outlooks	
	FY17	FY18	FY17	FY18	FY17	FY18
Main economic indicators						
Nominal GDP (y/y %)	1.8	1.6	1.8	1.6	0.0	0.0
Real GDP (chained [2011]; y/y %)	1.5	1.1	1.5	1.1	-0.0	-0.0
Domestic demand (contribution, % pt)	1.0	1.1	1.1	1.1	-0.0	-0.0
Foreign demand (contribution, % pt)	0.5	-0.0	0.5	-0.0	0.0	0.0
GDP deflator (y/y %)	0.3	0.5	0.2	0.4	0.0	0.1
Index of All-industry Activity (y/y %)*	1.5	1.5	1.2	1.5	0.3	-0.0
Index of Industrial Production (y/y %)	3.8	2.4	3.1	2.5	0.7	-0.0
Index of Tertiary Industry Activity (y/y %)	1.0	1.3	0.8	1.3	0.2	-0.0
Corporate Goods Price Index (y/y %)	2.6	2.0	2.6	1.8	-0.0	0.3
Consumer Price Index (excl. fresh food; y/y %)	0.8	0.9	0.9	0.8	-0.0	0.1
Unemployment rate (%)	2.8	2.7	2.8	2.7	0.0	0.0
Government bond yield (10 year; %)	0.00	0.00	0.00	0.00	0.00	0.00
Money stock; M2 (end-period; y/y %)	4.1	4.1	4.1	4.1	0.0	0.0
Balance of payments						
Trade balance (Y tril)	6.8	7.2	6.8	7.2	0.0	0.1
Current balance (\$100 mil)	1,927	2,069	1,888	2,025	40	44
Current balance (Y tril)	21.5	23.1	21.5	23.0	0.1	0.1
(% of nominal GDP)	3.9	4.2	3.9	4.1	0.0	0.0
Real GDP components (chained [2011]; y/y %)						
Private final consumption	0.8	0.9	0.8	0.9	-0.1	-0.0
Private housing investment	0.6	2.3	0.7	2.2	-0.1	0.0
Private fixed investment	2.3	2.1	2.2	2.1	0.1	-0.0
Government final consumption	0.5	0.8	0.6	0.8	-0.1	-0.0
Public fixed investment	3.0	-1.3	3.0	-1.3	0.0	-0.0
Exports of goods and services	5.3	2.1	5.3	2.1	-0.0	0.0
Imports of goods and services	2.4	2.1	2.4	2.1	-0.0	-0.0
Major assumptions:						
1. World economy						
Economic growth of major trading partners	3.6	3.5	3.5	3.5	0.1	0.0
Crude oil price (WTI futures; \$/bbl)	47.5	47.5	47.5	47.5	0.0	0.0
2. US economy						
US real GDP (chained [2009]; y/y %)	2.3	2.3	2.2	2.3	0.1	0.0
US Consumer Price Index (y/y %)	2.1	2.4	2.0	2.1	0.1	0.2
3. Japanese economy						
Nominal public fixed investment (y/y %)	3.8	-1.1	3.8	-1.1	0.0	-0.0
Exchange rate (Y/\$)	110.5	110.5	112.5	112.5	-2.0	-2.0
(Y/€)	124.5	124.5	123.5	123.5	1.0	1.0

Source: Compiled by DIR.

Notes: Due to rounding, differences do not necessarily conform to calculations based on figures shown.

* Excl. agriculture, forestry, and fisheries.

Quarterly Forecast Tables

1.1 Selected Economic Indicators

	2015			2016			2017			FY		CY	
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3		2015	2016	2015	2016
Nominal GDP (SAAR; Y tril)	529.5	532.0	530.5	535.3	536.4	536.8	539.0	537.4		531.8	537.5	530.0	536.8
Q/q %	0.3	0.5	-0.3	0.9	0.2	0.1	0.4	-0.3					
Q/q %, SAAR	1.1	1.9	-1.1	3.7	0.8	0.3	1.6	-1.2					
Y/y %	3.3	3.8	2.5	1.4	1.3	0.9	1.6	0.5		2.7	1.1	3.2	1.3
Real GDP (chained [2011]; SAAR; Y tril)	515.8	516.8	515.5	518.6	520.7	522.0	523.8	525.2		516.6	523.0	516.0	521.2
Q/q %	-0.1	0.2	-0.2	0.6	0.4	0.3	0.3	0.3					
Q/q %, SAAR	-0.3	0.7	-1.0	2.5	1.6	1.0	1.4	1.0					
Y/y %	1.7	2.0	0.9	0.5	0.9	1.1	1.6	1.3		1.2	1.2	1.1	1.0
Contribution to GDP growth (% pt)													
Domestic demand	0.1	0.3	-0.3	0.2	0.5	-0.1	-0.0	0.1		1.2	0.5	0.7	0.4
Foreign demand	-0.2	-0.1	0.0	0.5	-0.1	0.4	0.4	0.1		0.1	0.8	0.4	0.6
GDP deflator (y/y %)	1.5	1.8	1.6	0.9	0.4	-0.1	-0.0	-0.8		1.5	-0.2	2.1	0.3
Index of All-Industry Activity (2010=100)	102.5	102.5	102.3	102.5	102.6	103.2	103.6	103.6		102.6	103.3	102.5	103.0
Q/q %; y/y %	-0.1	0.0	-0.2	0.2	0.2	0.6	0.4	-0.0		0.9	0.6	0.4	0.6
Index of Industrial Production (2010=100)	98.0	97.0	97.1	96.2	96.5	98.0	99.8	100.0		97.5	98.6	97.8	97.7
Q/q %; y/y %	-1.3	-1.0	0.0	-0.9	0.2	1.6	1.9	0.2		-1.0	1.1	-1.2	-0.2
Index of Tertiary Industry Activity (2010=100)	103.3	103.4	103.3	103.7	103.7	104.0	104.1	103.9		103.5	103.9	103.2	103.9
Q/q %; y/y %	0.2	0.1	-0.1	0.5	0.0	0.3	0.1	-0.2		1.4	0.4	0.9	0.7
Corporate Goods Price Index components (2015=100)													
Domestic Company Goods Price Index	100.9	99.9	98.6	97.0	96.4	96.1	96.5	98.0		99.1	96.8	100.0	96.5
Y/y %	-2.3	-3.7	-3.6	-3.7	-4.5	-3.8	-2.1	1.0		-3.3	-2.4	-2.3	-3.5
CPI (excl. fresh food; 2015=100)	100.2	100.1	100.1	99.5	99.8	99.6	99.8	99.7		100.0	99.7	100.0	99.7
Y/y %	0.2	-0.2	-0.1	-0.1	-0.4	-0.5	-0.3	0.2		-0.0	-0.2	0.5	-0.3
Unemployment rate (%)	3.4	3.4	3.3	3.2	3.2	3.0	3.1	2.9		3.3	3.0	3.4	3.1
Government bond yield (10 year; %)	0.46	0.35	0.27	-0.05	-0.23	-0.09	0.04	0.07		0.26	-0.05	0.35	-0.07
Money stock; M2 (y/y %)	3.9	4.0	3.4	3.2	3.4	3.4	3.9	4.1		3.6	3.7	3.7	3.5
Trade balance (SAAR; Y tril)	-2.0	-2.1	1.1	3.8	4.6	5.8	6.8	4.9		0.3	5.8	-0.9	5.5
Current balance (SAAR; \$100 mil)	1,361	1,285	1,463	1,792	1,754	1,898	1,882	1,619		1,487	1,864	1,341	1,869
Current balance (SAAR; Y tril)	16.5	15.7	17.8	20.7	19.0	19.4	20.6	18.4		17.9	20.2	16.2	20.3
(% of nominal GDP)	3.1	3.0	3.3	3.9	3.5	3.6	3.8	3.4		3.3	3.7	3.1	3.7
Exchange rate (Y/\$)	121.4	122.2	121.5	115.4	108.1	102.4	109.4	113.6		120.1	108.4	121.0	108.8
(Y/Euro)	137.2	135.0	131.8	127.7	114.4	113.4	122.7	119.8		132.5	118.7	133.7	120.6

Source: Compiled by DIR.

Notes: 1) Quarterly figures (excl. y/y %) seasonally adjusted, other unadjusted.

2) Index of All-Industry Activity Index: excl. agriculture, forestry, and fisheries.

3) Due to rounding, figures may differ from those released by the government.

1.2 Selected Economic Indicators

	2017			2018			2019			FY		CY	
	4-6 (E)	7-9 (E)	10-12 (E)	1-3 (E)	4-6 (E)	7-9 (E)	10-12 (E)	1-3 (E)		2017 (E)	2018 (E)	2017 (E)	2018 (E)
Nominal GDP (SAAR; Y tril)	542.7	546.0	548.7	550.7	552.7	554.8	557.1	558.9		547.0	555.9	543.7	547.0
Q/q %	1.0	0.6	0.5	0.4	0.4	0.4	0.4	0.3					
Q/q %, SAAR	4.0	2.4	2.0	1.5	1.4	1.6	1.6	1.3					
Y/y %	1.2	1.7	1.8	2.4	1.8	1.6	1.5	1.5		1.8	1.6	1.3	0.6
Real GDP (chained [2011]; SAAR; Y tril)	528.5	530.2	531.7	533.4	534.9	536.3	537.5	538.7		530.9	536.9	528.9	535.5
Q/q %	0.6	0.3	0.3	0.3	0.3	0.2	0.2	0.2					
Q/q %, SAAR	2.6	1.3	1.1	1.3	1.2	1.0	0.9	0.9					
Y/y %	1.5	1.5	1.5	1.5	1.2	1.1	1.1	1.0		1.5	1.1	1.5	1.3
Contribution to GDP growth (% pt)													
Domestic demand	0.6	0.3	0.2	0.3	0.3	0.3	0.3	0.3		1.0	1.1	0.8	1.2
Foreign demand	0.1	0.0	0.0	0.0	-0.0	-0.0	-0.0	-0.0		0.5	-0.0	0.6	0.1
GDP deflator (y/y %)	-0.3	0.1	0.3	0.9	0.6	0.5	0.4	0.5		0.3	0.5	-0.2	-0.6
Index of All-Industry Activity (2010=100)	104.3	104.6	105.0	105.5	105.9	106.2	106.6	106.9		104.8	106.4	104.4	106.1
Q/q %; y/y %	0.7	0.3	0.4	0.4	0.4	0.3	0.3	0.3		1.5	1.5	1.3	1.6
Index of Industrial Production (2010=100)	101.5	101.8	102.5	103.3	103.9	104.5	105.0	105.6		102.3	104.8	101.5	104.2
Q/q %; y/y %	1.5	0.3	0.7	0.7	0.6	0.5	0.5	0.5		3.8	2.4	3.9	2.7
Index of Tertiary Industry Activity (2010=100)	104.5	104.8	105.1	105.5	105.9	106.1	106.4	106.7		104.9	106.2	104.6	106.0
Q/q %; y/y %	0.5	0.3	0.4	0.4	0.3	0.3	0.3	0.3		1.0	1.3	0.7	1.4
Corporate Goods Price Index components (2015=100)													
Domestic Company Goods Price Index	98.4	98.9	99.5	100.1	100.6	101.0	101.5	101.9		99.2	101.3	98.7	100.8
Y/y %	2.1	2.9	3.1	2.1	2.2	2.1	2.0	1.9		2.6	2.0	2.3	2.1
CPI (excl. fresh food; 2015=100)	100.3	100.5	100.8	100.6	101.2	101.3	101.7	101.6		100.6	101.4	100.3	101.2
Y/y %	0.5	0.9	1.0	0.9	0.8	0.8	0.9	0.9		0.8	0.9	0.7	0.9
Unemployment rate (%)	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.7		2.8	2.7	2.9	2.8
Government bond yield (10 year; %)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.02	0.00
Money stock; M2 (y/y %)	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1		4.1	4.1	4.1	4.1
Trade balance (SAAR; Y tril)	6.3	6.9	7.0	7.1	7.2	7.2	7.2	7.2		6.8	7.2	6.3	7.2
Current balance (SAAR; \$100 mil)	1,829	1,913	1,967	2,002	2,032	2,060	2,082	2,102		1,927	2,069	1,832	2,044
Current balance (SAAR; Y tril)	20.2	21.1	21.7	22.1	22.5	22.8	23.0	23.2		21.5	23.1	20.4	22.6
(% of nominal GDP)	3.7	3.9	4.0	4.0	4.1	4.1	4.1	4.2		3.9	4.2	3.7	4.1
Exchange rate (Y/\$)	110.5	110.5	110.5	110.5	110.5	110.5	110.5	110.5		110.5	110.5	111.3	110.5
(Y/Euro)	124.5	124.5	124.5	124.5	124.5	124.5	124.5	124.5		124.5	124.5	123.3	124.5

Source: Compiled by DIR.

Notes: 1) Quarterly figures (excl. y/y %) seasonally adjusted, other unadjusted.

2) Index of All-Industry Activity Index: excl. agriculture, forestry, and fisheries.

3) Due to rounding, figures may differ from those released by the government.

E: DIR estimate.

2.1 Real Gross Domestic Expenditure (chained [2011]; Y tril)

	2015			2016			2017			FY		CY	
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3		2015	2016	2015	2016
Gross domestic expenditure	515.8	516.8	515.5	518.6	520.7	522.0	523.8	525.2		516.6	523.0	516.0	521.2
Q/q %, SAAR	-0.3	0.7	-1.0	2.5	1.6	1.0	1.4	1.0					
Y/y %	1.7	2.0	0.9	0.5	0.9	1.1	1.6	1.3		1.2	1.2	1.1	1.0
Domestic demand	523.0	524.3	523.0	523.8	526.2	525.5	525.4	525.9		523.4	525.7	523.1	525.1
Q/q %, SAAR	0.4	1.1	-1.0	0.6	1.8	-0.5	-0.1	0.4					
Y/y %	1.5	1.8	1.1	0.2	0.6	0.2	0.5	0.4		1.1	0.4	0.7	0.4
Private demand	392.5	393.8	392.1	391.4	395.0	394.5	395.1	395.7		392.4	395.1	392.6	394.0
Q/q %, SAAR	0.4	1.4	-1.7	-0.7	3.7	-0.5	0.6	0.6					
Y/y %	1.5	2.0	1.2	-0.2	0.6	0.1	0.8	1.2		1.1	0.7	0.7	0.3
Final consumption	294.7	296.3	294.4	295.3	295.9	296.9	297.1	297.9		295.2	296.9	295.2	296.3
Q/q %, SAAR	-1.5	2.2	-2.5	1.2	0.8	1.4	0.1	1.1					
Y/y %	1.0	1.2	-0.1	-0.1	0.3	0.3	0.9	0.9		0.5	0.6	-0.4	0.4
Residential investment	14.9	15.1	15.0	15.2	15.7	16.1	16.1	16.2		15.1	16.0	15.0	15.8
Q/q %, SAAR	4.4	6.6	-3.1	4.9	13.2	11.0	0.8	1.1					
Y/y %	-3.0	6.2	4.8	3.0	5.4	6.6	7.2	6.1		2.8	6.3	-1.6	5.6
Non-residential investment	79.2	79.6	79.7	79.6	80.7	80.5	82.1	82.6		79.5	81.5	79.6	80.7
Q/q %, SAAR	-4.3	2.3	0.4	-0.3	5.4	-0.7	7.9	2.5					
Y/y %	1.4	0.9	0.9	-0.5	2.0	0.9	3.3	3.6		0.6	2.5	1.1	1.3
Change in inventories	3.8	2.8	3.0	1.3	2.8	0.9	-0.2	-1.0		2.7	0.6	2.8	1.2
Public demand	130.4	130.5	130.9	132.4	131.1	131.0	130.3	130.2		130.9	130.5	130.5	131.1
Q/q %, SAAR	0.6	0.2	1.1	4.7	-3.7	-0.4	-2.2	-0.2					
Y/y %	1.7	1.1	0.6	1.5	0.7	0.5	-0.6	-1.7		1.2	-0.3	0.8	0.5
Government final consumption	104.3	104.8	105.5	106.9	105.6	105.8	105.9	105.9		105.4	105.8	104.6	106.0
Q/q %, SAAR	0.5	1.7	2.9	5.6	-4.8	0.8	0.2	-0.0					
Y/y %	1.7	1.6	2.2	2.7	1.2	1.0	0.4	-0.9		2.1	0.4	1.7	1.3
Fixed investment	26.1	25.8	25.4	25.3	25.5	25.1	24.4	24.3		25.6	24.7	25.8	25.0
Q/q %, SAAR	1.9	-5.3	-6.2	-1.2	2.7	-5.0	-11.5	-0.6					
Y/y %	2.1	-0.1	-4.5	-3.4	-2.2	-1.8	-4.2	-4.1		-1.9	-3.2	-2.1	-3.0
Change in inventories	-0.0	-0.0	-0.0	0.1	0.0	0.0	0.0	0.0		0.0	0.0	-0.0	0.1
Net exports of goods and services	-7.3	-7.6	-7.5	-5.3	-5.5	-3.7	-2.1	-1.4		-6.9	-3.2	-7.2	-4.1
Exports of goods and services	81.4	83.2	83.0	83.4	82.2	83.8	86.6	88.5		82.8	85.3	83.1	84.1
Q/q %, SAAR	-15.1	9.3	-1.0	2.1	-5.6	8.0	14.1	8.7					
Y/y %	2.0	2.9	-0.5	-1.4	0.7	0.8	4.6	6.0		0.7	3.1	2.9	1.2
Imports of goods and services	88.6	90.8	90.5	88.7	87.7	87.6	88.7	89.9		89.7	88.5	90.3	88.2
Q/q %, SAAR	-10.2	10.3	-1.3	-7.7	-4.4	-0.9	5.3	5.6					
Y/y %	0.9	1.8	0.6	-2.4	-1.1	-3.6	-2.0	1.3		0.2	-1.4	0.8	-2.3

Source: Compiled by DIR.

Notes: 1) Subtotals by demand (domestic demand, private demand, and public demand) are simple aggregates of respective components, which differ from figures released by the government.

2) Y/y growth rates and FY and CY figures unadjusted; other seasonally adjusted.

3) Due to rounding, figures may differ from those released by the government.

2.2 Real Gross Domestic Expenditure (chained [2011]; Y tril)

	2017			2018			2019			FY		CY	
	4-6 (E)	7-9 (E)	10-12 (E)	1-3 (E)	4-6 (E)	7-9 (E)	10-12 (E)	1-3 (E)		2017 (E)	2018 (E)	2017 (E)	2018 (E)
Gross domestic expenditure	528.5	530.2	531.7	533.4	534.9	536.3	537.5	538.7		530.9	536.9	528.9	535.5
Q/q %, SAAR	2.6	1.3	1.1	1.3	1.2	1.0	0.9	0.9					
Y/y %	1.5	1.5	1.5	1.5	1.2	1.1	1.1	1.0		1.5	1.1	1.5	1.3
Domestic demand	528.9	530.4	531.6	533.3	535.0	536.4	537.7	539.1		531.0	537.0	529.2	535.6
Q/q %, SAAR	2.3	1.1	1.0	1.3	1.2	1.1	1.0	1.1					
Y/y %	0.5	0.9	1.2	1.5	1.1	1.1	1.1	1.1		1.0	1.1	0.8	1.2
Private demand	397.6	398.6	399.6	401.1	402.6	404.0	405.3	406.7		399.2	404.7	397.9	403.3
Q/q %, SAAR	2.0	1.0	1.0	1.5	1.6	1.4	1.3	1.4					
Y/y %	0.6	1.1	1.1	1.4	1.2	1.3	1.4	1.5		1.0	1.4	1.0	1.4
Final consumption	298.4	298.9	299.4	300.1	301.0	301.6	302.0	302.5		299.2	301.8	298.6	301.2
Q/q %, SAAR	0.7	0.7	0.6	1.0	1.1	0.9	0.5	0.6					
Y/y %	0.9	0.6	0.8	0.7	0.8	0.9	0.9	0.8		0.8	0.9	0.8	0.9
Residential investment	16.1	16.1	16.1	16.1	16.2	16.4	16.6	16.8		16.1	16.5	16.1	16.3
Q/q %, SAAR	-0.8	-0.8	-0.3	0.9	2.4	3.6	4.5	5.3					
Y/y %	2.9	-0.0	-0.1	-0.1	0.6	1.7	2.8	3.9		0.6	2.3	2.2	1.2
Non-residential investment	82.8	83.1	83.5	83.9	84.4	84.8	85.3	85.9		83.4	85.1	83.0	84.6
Q/q %, SAAR	1.0	1.6	1.8	2.1	2.1	2.1	2.5	2.5					
Y/y %	2.6	3.4	1.6	1.7	1.9	2.0	2.3	2.3		2.3	2.1	2.9	1.9
Change in inventories	0.3	0.5	0.7	0.9	1.1	1.2	1.4	1.6		0.5	1.3	0.1	1.1
Public demand	131.2	131.7	132.0	132.3	132.3	132.3	132.4	132.4		131.8	132.3	131.3	132.3
Q/q %, SAAR	3.1	1.6	0.9	0.7	0.2	0.0	0.2	0.1					
Y/y %	0.1	0.5	1.5	1.6	0.8	0.5	0.2	0.1		0.9	0.4	0.1	0.8
Government final consumption	106.0	106.2	106.4	106.6	106.9	107.1	107.3	107.5		106.3	107.1	106.1	107.0
Q/q %, SAAR	0.6	0.6	0.7	1.0	0.8	0.8	0.8	0.8					
Y/y %	0.4	0.3	0.5	0.7	0.8	0.8	0.8	0.8		0.5	0.8	0.1	0.8
Fixed investment	25.2	25.5	25.6	25.6	25.5	25.3	25.1	24.9		25.5	25.1	25.2	25.4
Q/q %, SAAR	14.4	5.7	1.7	-0.4	-2.3	-3.0	-2.5	-2.5					
Y/y %	-1.3	1.2	5.3	5.4	1.2	-0.9	-2.2	-2.7		3.0	-1.3	0.5	0.7
Change in inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0
Net exports of goods and services	-1.1	-0.8	-0.7	-0.6	-0.7	-0.8	-0.9	-1.1		-0.8	-0.9	-1.0	-0.8
Exports of goods and services	89.0	89.6	90.1	90.5	90.9	91.4	91.9	92.4		89.8	91.7	89.3	91.2
Q/q %, SAAR	2.6	2.4	2.2	2.0	1.9	2.0	2.1	2.2					
Y/y %	8.5	6.8	3.9	2.3	2.1	2.1	2.1	2.1		5.3	2.1	6.2	2.1
Imports of goods and services	90.1	90.4	90.7	91.1	91.6	92.2	92.8	93.5		90.6	92.5	90.3	91.9
Q/q %, SAAR	0.9	1.3	1.4	1.9	2.1	2.4	2.7	2.9					
Y/y %	2.8	3.3	2.2	1.4	1.7	2.0	2.3	2.5		2.4	2.1	2.4	1.8

Source: Compiled by DIR.

Notes: 1) Subtotals by demand (domestic demand, private demand, and public demand) are simple aggregates of respective components, which differ from figures released by the government.

2) Y/y growth rates and FY and CY figures unadjusted; other seasonally adjusted.

3) Due to rounding, figures may differ from those released by the government.

E: DIR estimate.

3.1 Nominal Gross Domestic Expenditure (¥ tril)

	2015			2016			2017			FY		CY	
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3		2015	2016	2015	2016
Gross domestic expenditure	529.5	532.0	530.5	535.3	536.4	536.8	539.0	537.4		531.8	537.5	530.0	536.8
Q/q %, SAAR	1.1	1.9	-1.1	3.7	0.8	0.3	1.6	-1.2					
Y/y %	3.3	3.8	2.5	1.4	1.3	0.9	1.6	0.5		2.7	1.1	3.2	1.3
Domestic demand	532.3	533.7	532.0	531.1	531.6	531.1	533.0	533.5		532.2	532.3	532.2	531.6
Q/q %, SAAR	1.0	1.1	-1.2	-0.7	0.4	-0.4	1.4	0.4					
Y/y %	1.6	1.8	1.0	-0.0	-0.1	-0.5	0.2	0.5		1.1	0.0	1.1	-0.1
Private demand	399.9	401.3	399.2	397.3	399.5	399.1	401.3	401.8		399.4	400.5	399.8	399.3
Q/q %, SAAR	1.1	1.4	-2.0	-1.9	2.3	-0.4	2.2	0.5					
Y/y %	1.6	2.1	1.2	-0.4	-0.1	-0.6	0.6	1.2		1.1	0.3	1.1	-0.1
Final consumption	299.5	301.3	299.3	299.1	299.3	300.1	301.4	301.8		299.8	300.7	300.1	300.0
Q/q %, SAAR	-0.8	2.4	-2.7	-0.2	0.2	1.0	1.7	0.6					
Y/y %	1.1	1.2	-0.0	-0.3	-0.2	-0.4	0.7	0.9		0.5	0.3	-0.0	-0.0
Residential investment	15.8	16.1	15.9	16.0	16.4	16.9	17.0	17.2		15.9	16.9	15.8	16.6
Q/q %, SAAR	3.5	7.5	-3.2	2.0	10.6	11.9	4.2	3.8					
Y/y %	-3.0	6.4	4.9	2.3	4.2	5.4	6.9	7.3		2.7	6.0	-0.7	4.7
Non-residential investment	80.9	81.4	81.3	80.9	81.7	81.3	83.0	83.9		81.2	82.6	81.3	81.7
Q/q %, SAAR	-3.4	2.5	-0.9	-1.7	3.7	-1.8	8.9	4.3					
Y/y %	2.5	1.8	1.3	-0.9	0.9	-0.5	2.5	3.6		1.1	1.7	2.0	0.5
Change in inventories	3.6	2.4	2.8	1.3	2.1	0.9	-0.1	-1.1		2.5	0.4	2.5	1.0
Public demand	132.4	132.4	132.8	133.8	132.1	131.9	131.6	131.7		132.8	131.8	132.4	132.3
Q/q %, SAAR	0.8	0.0	1.1	3.1	-5.0	-0.5	-0.9	0.1					
Y/y %	1.6	0.8	0.5	1.2	-0.1	-0.3	-0.9	-1.5		1.0	-0.7	1.1	-0.1
Government final consumption	104.9	105.4	106.2	107.5	105.6	105.8	106.2	106.2		106.0	106.0	105.3	106.3
Q/q %, SAAR	-0.0	1.8	3.2	5.0	-6.7	0.7	1.2	-0.0					
Y/y %	1.2	1.0	1.8	2.8	0.5	0.4	-0.0	-1.1		1.7	-0.0	1.7	0.9
Fixed investment	27.5	27.0	26.5	26.2	26.4	26.1	25.5	25.5		26.7	25.8	27.0	26.0
Q/q %, SAAR	4.9	-6.3	-7.3	-4.6	2.7	-4.7	-9.2	0.8					
Y/y %	3.7	0.6	-3.9	-4.0	-3.6	-3.0	-4.4	-2.9		-1.4	-3.5	-0.8	-3.8
Change in inventories	-0.0	-0.0	0.0	0.1	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0
Net exports of goods and services	-2.8	-1.7	-1.5	4.3	4.8	5.7	6.0	3.9		-0.4	5.1	-2.2	5.2
Exports of goods and services	92.8	95.3	91.0	87.6	84.6	84.9	89.7	94.3		91.7	88.4	93.6	86.8
Q/q %, SAAR	-9.6	11.0	-16.5	-14.4	-12.7	1.4	24.8	21.7					
Y/y %	5.6	5.0	-4.5	-7.9	-9.2	-10.7	-1.3	7.5		-0.7	-3.5	3.8	-7.3
Imports of goods and services	95.6	96.9	92.5	83.3	79.9	79.2	83.7	90.3		92.1	83.3	95.8	81.6
Q/q %, SAAR	-9.7	5.8	-17.0	-34.3	-15.6	-3.3	24.9	35.5					
Y/y %	-3.5	-5.6	-11.3	-15.1	-16.6	-18.4	-9.4	8.4		-8.9	-9.5	-6.8	-14.9

Source: Compiled by DIR.

Notes: 1) Y/y growth rates and FY and CY figures unadjusted; other seasonally adjusted.

2) Due to rounding, figures may differ from those released by the government.

3.2 Nominal Gross Domestic Expenditure (¥ tril)

	2017			2018			2019			FY		CY	
	4-6 (E)	7-9 (E)	10-12 (E)	1-3 (E)	4-6 (E)	7-9 (E)	10-12 (E)	1-3 (E)		2017 (E)	2018 (E)	2017 (E)	2018 (E)
Gross domestic expenditure	542.7	546.0	548.7	550.7	552.7	554.8	557.1	558.9		547.0	555.9	543.7	547.0
Q/q %, SAAR	4.0	2.4	2.0	1.5	1.4	1.6	1.6	1.3					
Y/y %	1.2	1.7	1.8	2.4	1.8	1.6	1.5	1.5		1.8	1.6	1.3	0.6
Domestic demand	537.3	539.9	542.4	544.3	546.2	548.3	550.6	552.6		541.1	549.5	538.3	541.0
Q/q %, SAAR	2.9	2.0	1.8	1.4	1.4	1.6	1.7	1.4					
Y/y %	1.0	1.7	1.7	2.1	1.6	1.6	1.5	1.6		1.6	1.6	1.2	0.5
Private demand	404.5	406.6	408.7	410.4	412.2	414.3	416.5	418.3		407.6	415.4	405.4	407.6
Q/q %, SAAR	2.7	2.1	2.1	1.6	1.8	2.0	2.1	1.8					
Y/y %	1.2	1.9	1.8	2.2	1.9	1.9	1.9	2.0		1.8	1.9	1.5	0.5
Final consumption	302.7	304.2	305.5	306.3	307.2	308.4	309.5	310.3		304.7	308.9	303.5	304.7
Q/q %, SAAR	1.2	1.9	1.8	1.0	1.2	1.6	1.4	1.0					
Y/y %	1.2	1.3	1.4	1.5	1.5	1.4	1.3	1.3		1.3	1.4	1.2	0.4
Residential investment	17.2	17.3	17.3	17.4	17.6	17.7	18.0	18.2		17.3	17.9	17.3	17.3
Q/q %, SAAR	0.8	0.7	1.1	2.2	3.4	4.4	5.2	5.9					
Y/y %	5.0	2.2	1.6	1.3	1.9	2.8	3.8	4.7		2.5	3.3	4.0	0.3
Non-residential investment	84.2	84.7	85.1	85.7	86.2	86.7	87.3	87.9		85.0	87.1	84.5	84.9
Q/q %, SAAR	1.6	2.1	2.2	2.5	2.5	2.5	2.9	2.9					
Y/y %	3.2	4.3	2.4	2.1	2.3	2.3	2.7	2.6		2.9	2.5	3.4	0.5
Change in inventories	0.3	0.5	0.7	1.0	1.2	1.4	1.6	1.8		0.6	1.5	0.1	0.6
Public demand	132.7	133.3	133.7	133.9	134.0	134.1	134.2	134.2		133.5	134.1	132.8	133.4
Q/q %, SAAR	3.3	1.7	1.1	0.8	0.3	0.1	0.3	0.2					
Y/y %	0.6	1.0	1.6	1.8	0.9	0.6	0.3	0.2		1.3	0.5	0.4	0.4
Government final consumption	106.3	106.5	106.7	107.0	107.2	107.5	107.7	108.0		106.7	107.6	106.4	106.6
Q/q %, SAAR	0.6	0.7	0.8	1.1	0.9	0.9	0.9	0.9					
Y/y %	0.7	0.7	0.5	0.7	0.8	0.9	1.0	0.9		0.7	0.9	0.2	0.2
Fixed investment	26.4	26.8	26.9	26.9	26.8	26.6	26.4	26.3		26.8	26.5	26.4	26.8
Q/q %, SAAR	14.8	6.0	2.1	-0.1	-2.1	-2.8	-2.4	-2.4					
Y/y %	-0.1	2.5	6.0	5.7	1.5	-0.6	-1.9	-2.5		3.8	-1.1	1.6	1.3
Change in inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0
Net exports of goods and services	5.4	6.1	6.3	6.4	6.5	6.5	6.4	6.4		6.1	6.4	5.4	6.0
Exports of goods and services	94.6	95.1	95.6	96.1	96.6	97.1	97.7	98.2		95.4	97.4	94.9	95.3
Q/q %, SAAR	1.4	2.0	2.2	2.2	2.1	2.2	2.3	2.4					
Y/y %	12.0	11.8	6.5	2.0	2.0	2.2	2.2	2.2		7.8	2.2	9.3	0.5
Imports of goods and services	89.2	89.0	89.3	89.7	90.1	90.6	91.2	91.9		89.3	91.0	89.4	89.3
Q/q %, SAAR	-5.0	-0.7	1.2	1.8	2.0	2.3	2.6	2.8					
Y/y %	11.7	12.4	6.6	-0.7	1.1	1.8	2.2	2.4		7.2	1.9	9.7	-0.2

Source: Compiled by DIR.

Notes: 1) Y/y growth rates and FY and CY figures unadjusted; other seasonally adjusted.

2) Due to rounding, figures may differ from those released by the government.

E: DIR estimate.

4.1 Gross Domestic Expenditure, Implicit Deflators (2011=100)

	2015			2016			2017			FY		CY	
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3		2015	2016	2015	2016
Gross domestic expenditure	102.6	102.9	102.9	103.2	103.0	102.8	102.9	102.3		102.9	102.8	102.7	103.0
Q/q %, SAAR	0.4	0.3	-0.0	0.3	-0.2	-0.2	0.1	-0.5					
Y/y %	1.5	1.8	1.6	0.9	0.4	-0.1	-0.0	-0.8		1.5	-0.2	2.1	0.3
Private final consumption	101.7	101.7	101.7	101.3	101.2	101.1	101.5	101.3		101.6	101.3	101.6	101.2
Q/q %, SAAR	0.2	0.1	-0.1	-0.4	-0.1	-0.1	0.4	-0.1					
Y/y %	0.1	-0.1	0.1	-0.2	-0.5	-0.7	-0.2	0.1		-0.0	-0.3	0.4	-0.4
Private residential investment	105.7	106.0	105.9	105.2	104.6	104.8	105.7	106.3		105.7	105.3	105.9	105.1
Q/q %, SAAR	-0.2	0.2	-0.0	-0.7	-0.6	0.2	0.8	0.7					
Y/y %	0.0	0.2	0.2	-0.7	-1.1	-1.1	-0.2	1.1		-0.1	-0.3	0.9	-0.8
Private non-residential investment	102.3	102.3	102.0	101.6	101.2	100.9	101.2	101.6		102.0	101.3	102.1	101.3
Q/q %, SAAR	0.2	0.1	-0.3	-0.4	-0.4	-0.3	0.2	0.4					
Y/y %	1.1	0.9	0.4	-0.4	-1.1	-1.4	-0.7	-0.0		0.4	-0.8	0.9	-0.9
Government final consumption	100.6	100.6	100.7	100.5	100.0	100.0	100.3	100.3		100.6	100.2	100.7	100.2
Q/q %, SAAR	-0.1	0.0	0.1	-0.1	-0.5	-0.0	0.3	-0.0					
Y/y %	-0.5	-0.6	-0.4	0.0	-0.7	-0.6	-0.4	-0.1		-0.4	-0.4	0.1	-0.4
Public fixed investment	105.2	104.9	104.6	103.7	103.7	103.7	104.4	104.8		104.5	104.2	104.7	103.9
Q/q %, SAAR	0.7	-0.3	-0.3	-0.9	-0.0	0.1	0.7	0.4					
Y/y %	1.5	0.6	0.6	-0.6	-1.5	-1.2	-0.2	1.2		0.4	-0.3	1.4	-0.8
Exports of goods and services	114.1	114.5	109.7	105.0	102.9	101.3	103.6	106.6		110.8	103.7	112.6	103.2
Q/q %, SAAR	1.6	0.4	-4.2	-4.3	-1.9	-1.6	2.3	2.9					
Y/y %	3.6	2.1	-4.1	-6.6	-9.8	-11.4	-5.7	1.4		-1.4	-6.4	0.8	-8.4
Imports of goods and services	107.9	106.7	102.2	93.9	91.0	90.4	94.4	100.5		102.6	94.2	106.1	92.5
Q/q %, SAAR	0.1	-1.0	-4.2	-8.2	-3.0	-0.6	4.4	6.4					
Y/y %	-4.3	-7.2	-11.8	-13.0	-15.6	-15.3	-7.6	7.0		-9.1	-8.3	-7.5	-12.9

Source: Compiled by DIR.

Notes: 1) Y/y growth rates and FY and CY figures unadjusted; other seasonally adjusted.

2) Due to rounding, figures may differ from those released by the government.

4.2 Gross Domestic Expenditure, Implicit Deflators (2011=100)

	2017			2018			2019			FY		CY	
	4-6 (E)	7-9 (E)	10-12 (E)	1-3 (E)	4-6 (E)	7-9 (E)	10-12 (E)	1-3 (E)		2017 (E)	2018 (E)	2017 (E)	2018 (E)
Gross domestic expenditure	102.7	103.0	103.2	103.3	103.3	103.5	103.6	103.8		103.0	103.6	102.8	102.1
Q/q %, SAAR	0.3	0.3	0.2	0.1	0.1	0.1	0.2	0.1					
Y/y %	-0.3	0.1	0.3	0.9	0.6	0.5	0.4	0.5		0.3	0.5	-0.2	-0.6
Private final consumption	101.4	101.7	102.1	102.1	102.1	102.3	102.5	102.6		101.8	102.4	101.6	101.2
Q/q %, SAAR	0.1	0.3	0.3	-0.0	0.0	0.2	0.2	0.1					
Y/y %	0.3	0.7	0.6	0.7	0.6	0.5	0.4	0.5		0.6	0.5	0.4	-0.5
Private residential investment	106.8	107.2	107.5	107.9	108.1	108.3	108.5	108.7		107.3	108.4	106.9	106.0
Q/q %, SAAR	0.4	0.4	0.3	0.3	0.2	0.2	0.2	0.2					
Y/y %	2.1	2.3	1.8	1.5	1.3	1.1	0.9	0.7		1.9	1.0	1.8	-0.9
Private non-residential investment	101.7	101.9	101.9	102.0	102.1	102.2	102.3	102.4		101.9	102.3	101.8	100.4
Q/q %, SAAR	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1					
Y/y %	0.5	0.9	0.7	0.4	0.4	0.4	0.4	0.4		0.6	0.4	0.5	-1.4
Government final consumption	100.3	100.3	100.3	100.3	100.4	100.4	100.4	100.4		100.4	100.5	100.3	99.7
Q/q %, SAAR	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0					
Y/y %	0.4	0.3	0.0	0.0	0.1	0.1	0.1	0.1		0.2	0.1	0.1	-0.6
Public fixed investment	104.9	105.0	105.1	105.1	105.2	105.3	105.3	105.3		105.0	105.3	104.9	105.5
Q/q %, SAAR	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0					
Y/y %	1.2	1.2	0.6	0.3	0.3	0.2	0.2	0.2		0.8	0.2	1.0	0.6
Exports of goods and services	106.2	106.1	106.1	106.2	106.2	106.3	106.3	106.4		106.2	106.3	106.3	104.5
Q/q %, SAAR	-0.3	-0.1	0.0	0.0	0.0	0.0	0.0	0.0					
Y/y %	3.2	4.7	2.5	-0.3	-0.0	0.2	0.1	0.2		2.4	0.1	2.9	-1.6
Imports of goods and services	99.0	98.5	98.4	98.4	98.4	98.3	98.3	98.3		98.6	98.3	99.1	97.1
Q/q %, SAAR	-1.5	-0.5	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0					
Y/y %	8.7	8.9	4.2	-2.0	-0.6	-0.1	-0.1	-0.1		4.7	-0.2	7.1	-2.0

Source: Compiled by DIR.

Notes: 1) Y/y growth rates and FY and CY figures unadjusted; other seasonally adjusted.

2) Due to rounding, figures may differ from those released by the government.

E: DIR estimate.

5.1 Contribution to Real GDP Growth by Component

	2015 4-6	7-9	10-12	2016 1-3	4-6	7-9	10-12	2017 1-3	FY 2015	FY 2016	CY 2015	CY 2016
1) Q/q %												
GDP growth rate	-0.1	0.2	-0.2	0.6	0.4	0.3	0.3	0.3	1.2	1.2	1.1	1.0
Domestic demand	0.1	0.3	-0.3	0.2	0.5	-0.1	-0.0	0.1	1.2	0.5	0.7	0.4
Private demand	0.1	0.3	-0.3	-0.1	0.7	-0.1	0.1	0.1	0.9	0.5	0.5	0.3
Private consumption	-0.2	0.3	-0.4	0.2	0.1	0.2	0.0	0.2	0.3	0.3	-0.2	0.2
Residential investment	0.0	0.0	-0.0	0.0	0.1	0.1	0.0	0.0	0.1	0.2	-0.0	0.2
Private fixed investment	-0.2	0.1	0.0	-0.0	0.2	-0.0	0.3	0.1	0.1	0.4	0.2	0.2
Change in private inventories	0.4	-0.2	0.0	-0.3	0.3	-0.3	-0.2	-0.1	0.4	-0.4	0.6	-0.3
Public demand	0.0	0.0	0.1	0.3	-0.2	-0.0	-0.1	-0.0	0.3	-0.1	0.2	0.1
Government final consumption	0.0	0.1	0.1	0.3	-0.2	0.0	0.0	-0.0	0.4	0.1	0.3	0.3
Public fixed investment	0.0	-0.1	-0.1	-0.0	0.0	-0.1	-0.1	-0.0	-0.1	-0.2	-0.1	-0.2
Change in public inventories	-0.0	-0.0	0.0	0.0	-0.0	-0.0	0.0	-0.0	-0.0	-0.0	-0.0	0.0
Net exports of goods and services	-0.2	-0.1	0.0	0.5	-0.1	0.4	0.4	0.1	0.1	0.8	0.4	0.6
Exports of goods and services	-0.7	0.4	-0.0	0.1	-0.3	0.3	0.6	0.4	0.1	0.5	0.5	0.2
Imports of goods and services	0.5	-0.5	0.1	0.4	0.2	0.0	-0.2	-0.2	-0.0	0.2	-0.2	0.4
2) Y/y %												
GDP growth rate	1.7	2.0	0.9	0.5	0.9	1.1	1.6	1.3	1.2	1.2	1.1	1.0
Domestic demand	1.5	1.8	1.1	0.3	0.6	0.2	0.5	0.5	1.2	0.5	0.7	0.4
Private demand	1.1	1.5	0.9	-0.1	0.4	0.1	0.6	0.9	0.9	0.5	0.5	0.3
Private consumption	0.6	0.7	-0.0	-0.1	0.2	0.2	0.5	0.5	0.3	0.3	-0.2	0.2
Residential investment	-0.1	0.2	0.1	0.1	0.1	0.2	0.2	0.2	0.1	0.2	-0.0	0.2
Private fixed investment	0.2	0.1	0.1	-0.1	0.3	0.1	0.5	0.6	0.1	0.4	0.2	0.2
Change in private inventories	0.4	0.5	0.7	-0.1	-0.2	-0.4	-0.6	-0.4	0.4	-0.4	0.6	-0.3
Public demand	0.4	0.3	0.2	0.4	0.2	0.1	-0.2	-0.4	0.3	-0.1	0.2	0.1
Government final consumption	0.4	0.3	0.4	0.6	0.2	0.2	0.1	-0.2	0.4	0.1	0.3	0.3
Public fixed investment	0.1	-0.0	-0.3	-0.2	-0.1	-0.1	-0.2	-0.2	-0.1	-0.2	-0.1	-0.2
Change in public inventories	-0.0	-0.0	-0.0	0.0	0.0	0.0	0.0	-0.0	-0.0	-0.0	-0.0	0.0
Net exports of goods and services	0.2	0.2	-0.2	0.2	0.3	0.8	1.2	0.8	0.1	0.8	0.4	0.6
Exports of goods and services	0.3	0.5	-0.1	-0.2	0.1	0.1	0.8	1.0	0.1	0.5	0.5	0.2
Imports of goods and services	-0.2	-0.4	-0.1	0.4	0.2	0.7	0.4	-0.2	-0.0	0.2	-0.2	0.4

Source: Compiled by DIR.

Notes: 1) Q/q growth rates seasonally adjusted; y/y growth rates and FY and CY figures unadjusted.

2) Due to rounding, figures may differ from those released by the government.

5.2 Contribution to Real GDP Growth by Component

	2017 4-6 (E)	7-9 (E)	10-12 (E)	2018 1-3 (E)	4-6 (E)	7-9 (E)	10-12 (E)	2019 1-3 (E)	FY		CY	
	2017 (E)	2018 (E)	2017 (E)	2018 (E)	2017 (E)	2018 (E)	2017 (E)	2018 (E)	2017 (E)	2018 (E)	2017 (E)	2018 (E)
1) Q/q %												
GDP growth rate	0.6	0.3	0.3	0.3	0.3	0.2	0.2	0.2	1.5	1.1	1.5	1.3
Domestic demand	0.6	0.3	0.2	0.3	0.3	0.3	0.3	0.3	1.0	1.1	0.8	1.2
Private demand	0.4	0.2	0.2	0.3	0.3	0.3	0.2	0.3	0.8	1.0	0.8	1.0
Private consumption	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.4	0.5	0.4	0.5
Residential investment	-0.0	-0.0	-0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0
Private fixed investment	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.4	0.3	0.4	0.3
Change in private inventories	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.0	0.1	-0.2	0.2
Public demand	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.2	0.1	0.0	0.2
Government final consumption	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.0	0.2
Public fixed investment	0.2	0.1	0.0	-0.0	-0.0	-0.0	-0.0	-0.0	0.1	-0.1	0.0	0.0
Change in public inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.0	-0.0	0.0	0.0
Net exports of goods and services	0.1	0.0	0.0	0.0	-0.0	-0.0	-0.0	-0.0	0.5	-0.0	0.6	0.1
Exports of goods and services	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.9	0.3	1.0	0.4
Imports of goods and services	-0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.4	-0.4	-0.4	-0.3
2) Y/y %												
GDP growth rate	1.5	1.5	1.5	1.5	1.2	1.1	1.1	1.0	1.5	1.1	1.5	1.3
Domestic demand	0.5	0.9	1.2	1.5	1.1	1.1	1.1	1.1	1.0	1.1	0.8	1.2
Private demand	0.5	0.8	0.8	1.1	0.9	1.0	1.1	1.1	0.8	1.0	0.8	1.0
Private consumption	0.5	0.4	0.4	0.4	0.5	0.5	0.5	0.4	0.4	0.5	0.4	0.5
Residential investment	0.1	-0.0	-0.0	-0.0	0.0	0.1	0.1	0.1	0.0	0.1	0.1	0.0
Private fixed investment	0.4	0.5	0.2	0.3	0.3	0.3	0.3	0.4	0.4	0.3	0.4	0.3
Change in private inventories	-0.5	-0.1	0.1	0.4	0.2	0.1	0.1	0.1	-0.0	0.1	-0.2	0.2
Public demand	0.0	0.1	0.4	0.4	0.2	0.1	0.0	0.0	0.2	0.1	0.0	0.2
Government final consumption	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.1	0.2	0.0	0.2
Public fixed investment	-0.1	0.1	0.3	0.3	0.0	-0.0	-0.1	-0.1	0.1	-0.1	0.0	0.0
Change in public inventories	-0.0	-0.0	-0.0	0.0	0.0	-0.0	0.0	-0.0	-0.0	-0.0	0.0	0.0
Net exports of goods and services	0.9	0.6	0.3	0.1	0.1	0.0	-0.0	-0.1	0.5	-0.0	0.6	0.1
Exports of goods and services	1.4	1.1	0.6	0.4	0.4	0.4	0.3	0.3	0.9	0.3	1.0	0.4
Imports of goods and services	-0.5	-0.5	-0.4	-0.2	-0.3	-0.3	-0.4	-0.4	-0.4	-0.4	-0.4	-0.3

Source: Compiled by DIR.

Notes: 1) Q/q growth rates seasonally adjusted; y/y growth rates and FY and CY figures unadjusted.

2) Due to rounding, figures may differ from those released by the government.

E: DIR estimate.

6.1 Major Assumptions

	2015			2016			2017			FY		CY	
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3		2015	2016	2015	2016
1) World economy													
Economic growth of major trading partners													
Y/y %	3.7	3.5	3.3	3.2	3.4	3.4	3.7	3.9	3.4	3.6	3.6	3.4	
Crude oil price (WTI futures; \$/bbl)	57.8	46.5	42.2	33.6	45.6	44.9	49.3	51.8	45.0	47.9	48.8	43.5	
Y/y %	-43.9	-52.2	-42.4	-30.8	-21.1	-3.4	16.9	54.0	-44.1	6.4	-47.5	-10.9	
2) US economy													
Real GDP (chained [2009]; \$ bil; SAAR)	16,374	16,455	16,491	16,525	16,583	16,727	16,813	16,862	16,461	16,746	16,397	16,662	
Q/q %, SAAR	2.6	2.0	0.9	0.8	1.4	3.5	2.1	1.2					
Y/y %	3.0	2.2	1.9	1.6	1.3	1.7	2.0	2.0	2.2	1.7	2.6	1.6	
Consumer Price Index													
(1982-84 avg=100)	236.8	237.7	237.9	238.0	239.4	240.4	242.2	244.1	237.7	241.5	237.0	240.0	
Q/q %, SAAR	2.4	1.5	0.4	0.1	2.3	1.8	3.0	3.1					
Y/y %	-0.0	0.1	0.5	1.1	1.0	1.1	1.8	2.5	0.4	1.6	0.1	1.3	
Producer Price Index													
(Final demand; 2009.Nov=100)	110.1	110.2	109.6	109.8	110.2	110.5	111.1	112.1	109.9	111.0	109.9	110.4	
Q/q %, SAAR	0.9	0.5	-2.2	0.7	1.5	1.0	2.3	3.5					
Y/y %	-0.8	-0.9	-1.3	0.0	0.1	0.2	1.4	2.0	-0.8	0.9	-0.9	0.4	
FF rate (%)	0.25	0.25	0.50	0.50	0.50	0.50	0.75	1.00	0.50	1.00	0.50	0.75	
(Target rate for the forecast period, end-period)													
Government bond yield (10 year; %)	2.17	2.22	2.19	1.92	1.75	1.56	2.13	2.44	2.12	1.97	2.14	1.84	
3) Japanese economy													
Nominal government final consumption													
Y tri; SAAR	104.9	105.4	106.2	107.5	105.6	105.8	106.2	106.2	106.0	106.0	105.3	106.3	
Q/q %, SAAR	-0.0	1.8	3.2	5.0	-6.7	0.7	1.2	-0.0					
Y/y %	1.2	1.0	1.8	2.8	0.5	0.4	-0.0	-1.1	1.7	-0.0	1.7	0.9	
Nominal public fixed investment													
Y tri; SAAR	27.5	27.0	26.5	26.2	26.4	26.1	25.5	25.5	26.7	25.8	27.0	26.0	
Q/q %, SAAR	4.9	-6.3	-7.3	-4.6	2.7	-4.7	-9.2	0.8					
Y/y %	3.7	0.6	-3.9	-4.0	-3.6	-3.0	-4.4	-2.9	-1.4	-3.5	-0.8	-3.8	
Exchange rate (Y/\$)	121.4	122.2	121.5	115.4	108.1	102.4	109.4	113.6	120.1	108.4	121.0	108.8	
(Y/€)	137.2	135.0	131.8	127.7	114.4	113.4	122.7	119.8	132.5	118.7	133.7	120.6	

Source: Compiled by DIR.

Note: Due to rounding, figures may differ from those released by the government.

6.2 Major Assumptions

	2017 4-6 (E)	7-9 (E)	10-12 (E)	2018 1-3 (E)	4-6 (E)	7-9 (E)	10-12 (E)	2019 1-3 (E)	FY 2017 (E)	2018 (E)	CY 2017 (E)	2018 (E)
1) World economy												
Economic growth of major trading partners												
Y/y %	3.7	3.6	3.4	3.5	3.5	3.5	3.5	3.5	3.6	3.5	3.6	3.5
Crude oil price (WTI futures; \$/bbl)	47.5	47.5	47.5	47.5	47.5	47.5	47.5	47.5	47.5	47.5	48.6	47.5
Y/y %	4.1	5.7	-3.6	-8.3	0.0	0.0	0.0	0.0	-0.9	0.0	11.7	-2.2
2) US economy												
Real GDP (chained [2009]; \$ bil; SAAR)	16,986	17,082	17,178	17,275	17,373	17,472	17,572	17,675	17,130	17,523	17,027	17,423
Q/q %, SAAR	3.0	2.3	2.3	2.3	2.3	2.3	2.3	2.4				
Y/y %	2.4	2.1	2.2	2.4	2.3	2.3	2.3	2.3	2.3	2.3	2.2	2.3
Consumer Price Index (1982-84 avg=100)	244.6	245.8	247.3	248.7	250.2	251.7	253.2	254.6	246.6	252.4	245.4	250.9
Q/q %, SAAR	0.8	2.1	2.3	2.4	2.4	2.4	2.4	2.3				
Y/y %	2.2	2.2	2.1	1.9	2.3	2.4	2.4	2.4	2.1	2.4	2.3	2.2
Producer Price Index (Final demand; 2009.Nov=100)	112.9	113.4	114.0	114.5	115.1	115.7	116.3	116.9	113.7	116.0	113.1	115.4
Q/q %, SAAR	2.9	1.8	2.0	2.1	2.1	2.0	2.1	2.0				
Y/y %	2.4	2.6	2.6	2.2	2.0	2.1	2.1	2.1	2.5	2.0	2.4	2.1
FF rate (%)	1.25	1.50	1.50	1.50	1.75	2.00	2.25	2.50	1.50	2.50	1.50	2.25
(Target rate for the forecast period, end-period)												
Government bond yield (10 year; %)	2.28	2.38	2.58	2.63	2.83	3.06	3.27	3.48	2.47	3.16	2.42	2.95
3) Japanese economy												
Nominal government final consumption												
Y tril; SAAR	106.3	106.5	106.7	107.0	107.2	107.5	107.7	108.0	106.7	107.6	106.4	106.6
Q/q %, SAAR	0.6	0.7	0.8	1.1	0.9	0.9	0.9	0.9				
Y/y %	0.7	0.7	0.5	0.7	0.8	0.9	1.0	0.9	0.7	0.9	0.2	0.2
Nominal public fixed investment												
Y tril; SAAR	26.4	26.8	26.9	26.9	26.8	26.6	26.4	26.3	26.8	26.5	26.4	26.8
Q/q %, SAAR	14.8	6.0	2.1	-0.1	-2.1	-2.8	-2.4	-2.4				
Y/y %	-0.1	2.5	6.0	5.7	1.5	-0.6	-1.9	-2.5	3.8	-1.1	1.6	1.3
Exchange rate (¥/\$)	110.5	110.5	110.5	110.5	110.5	110.5	110.5	110.5	110.5	110.5	111.3	110.5
(¥/€)	124.5	124.5	124.5	124.5	124.5	124.5	124.5	124.5	124.5	124.5	123.3	124.5

Source: Compiled by DIR.

Notes: Due to rounding, figures may differ from those released by the government.

E: DIR estimate.